

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 439 - SB 535

February 17, 2015

SUMMARY OF BILL: Authorizes voters within and outside city limits of a county to vote in any referendum on a county-wide sales tax increase proposed after a city in the county adopts a sales tax, regardless of whether the proposed county-wide tax is at the same or higher rate as the city tax.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact – This bill will result in a significant fiscal impact to local governments if outcomes of future county elections to increase the county-wide sales tax rate are changed as a direct result of allowing city voters to participate in elections. However, due to multiple unknown factors, this impact cannot be quantified with reasonable certainty. In addition, any increase in local government expenditures associated with more voters participating in referendums cannot be determined with reasonable certainty.

Assumptions:

- Under current law, voters residing inside city or town limits are not authorized to vote in any referendum on a county-wide sales tax increase if the total county-wide sales tax rate after such increase will not be higher than the rate that is already operative in the city or town. If a county legislative body adopts a resolution to levy the tax at a higher rate than the rate of the city or town tax, the election shall also be open to the voters of the city or town.
- The proposed legislation would authorize voters residing inside city or town limits to vote in any referendum on a county-wide sales tax increase, regardless of whether the proposed county-wide tax rate is the same or higher than the city or town tax rate.
- It is estimated that there are currently 16 counties with cities that have greater local sales tax rates than the county rates. Until such counties raise their taxes to match the cities' rates, the difference between the city and county rates can be entirely retained by cities and does not have to be shared with the counties or be expended and distributed for school purposes.
- The proposed legislation would result in a significant fiscal impact to the local government if the outcome of any future county elections to increase the county-wide sales tax rate is changed as a result of allowing city voters to participate in such elections. However, due to several unknown factors, such as the number of counties that will hold a referendum on a county-wide sales tax increase, the applicable county and city sales tax rates in such counties, and the extent to which this bill will directly impact

election outcomes in such counties, any such fiscal impact cannot be quantified with reasonable certainty.

- Further, any increase in local government expenditures associated with the increased costs of elections due to more voters, more polling places, and more poll workers cannot be determined with reasonable certainty.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink, appearing to read "Jeffrey L. Spalding". The signature is fluid and cursive, with the first name "Jeffrey" and last name "Spalding" clearly distinguishable.

Jeffrey L. Spalding, Executive Director

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